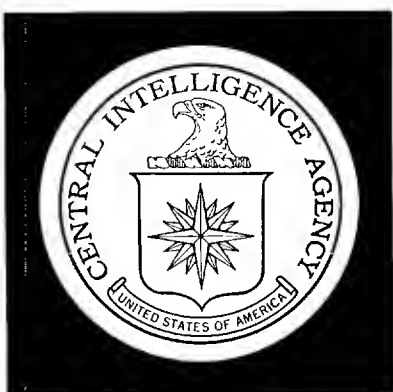


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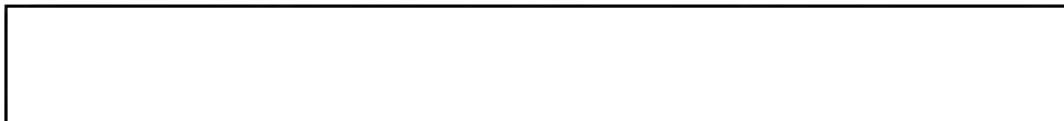
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MALTA: Prime Minister Mintoff has asked NATO to leave Malta, thus making the uncertain UK-Malta negotiations even more important if the West is to retain a base on the island.

In a message to NATO yesterday, Mintoff announced termination of the current arrangements for NATO facilities and forces in Malta. The North Atlantic Council (NAC) instructed Secretary General Brosio to notify NATO military commanders to prepare for compliance, and the NAC today will probably authorize Brosio to inform Mintoff that the NATO presence will be ended.

Mintoff claimed in his message that the action was necessary because London has turned a "deaf ear to Malta's pleas" for immediate renegotiation of the UK-Malta defense arrangements. The British representative to NATO, on instructions from London, expressed doubt as to whether a new agreement that would preserve a British veto over possible Soviet use of military facilities on Malta could be negotiated, but he asked the other Allies if they would be willing to help pay the amount that would be required to obtain such an agreement.

A senior Maltese Foreign Ministry official had expressed to the US Embassy his anxiety over the state of the UK-Malta negotiations. He personally believes that a recent Mintoff message stating that "under the present circumstances" London should plan to withdraw its forces from the island was not a bluff, and he does not know how Mintoff will react if an accommodation is not reached by the end of July, the deadline established by the premier. The official suggested that Washington and NATO put pressure on the British to send a minister with full negotiating powers to Valletta immediately.

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SOUTH VIETNAM: President Thieu's heavy-handed attempts to limit his election opposition foreshadow a bitter and divisive campaign.

Big Minh and Vice President Ky have both accused Thieu of trying to rig the election, and they are trying to arouse public indignation--and official American pressure--to preserve their own election chances. In his open letter to Thieu on 13 July, Ky accused the President of preparing for dishonest elections, declaring specifically that Thieu was using pressure on members of the Assembly and the municipal and provincial councils to prevent them from endorsing certain opposition candidates.

Big Minh's supporters have also raised the specter of election fraud in a number of public statements during the past week, including a charge by one senator that officials in the Delta were forcing provincial councilors to sign blank presidential endorsement forms. Although Minh has complained for some time that the election would probably be rigged, this seems to be the beginning of a well-organized campaign intended to appeal to the Vietnamese people--and the US.

As expected, the controversial article of the Presidential Election Law that requires the endorsement of candidates by 40 National Assemblymen or 100 provincial and city councilors was ruled constitutional by the Supreme Court on 13 July, although there was at least one dissenting opinion. Thieu seems determined to prevent Ky from obtaining the necessary endorsements by gaining control of as many signatures as possible. Minh is also disturbed by Thieu's efforts to block the vice president, as Ky would probably draw votes away from Thieu to Minh's advantage.

Thieu's vendetta against Ky conceivably could prompt Minh to carry out his repeated threat to withdraw from the race. Even if another candidate

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presented himself, Minh's withdrawal would raise widespread doubts about the fairness and validity of the election and would probably arouse considerable political furor. Minh and Ky, however, may feel that the publicity they are now generating will bring enough pressure to bear on Thieu to permit Ky's candidacy and thus present a more reasonably competitive election.



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LAOS: The Communists have sharply rejected Prime Minister Souvanna's proposal of 5 July for a cease-fire on the Plaine des Jarres.

In a tough and unyielding letter to Souvanna on 11 July, Lao Communist leader Souphanouvong stated that in proposing a cease-fire on the Plaine, Vientiane was, in effect, rejecting the Communist proposal for a countrywide cease-fire. He argued that imposing a countrywide cease-fire was within the power of the Laotian parties, and that in rejecting it Souvanna was serving US interests. This is an allusion to the fact that a countrywide cease-fire would affect the US bombing program in the infiltration corridor.

The letter comes down hard on Vang Pao's current offensive on the Plaine, which it describes as an "extremely serious" act. It ties Souvanna's proposal of 5 July to the offensive and implies that it is evidence that Vientiane is not genuinely interested in reaching a settlement. The letter makes no reference to withdrawing the "special emissary" who is in Vientiane or to breaking contacts with the government. The Communists may still hope that they can convince Souvanna that it is in the government's interest to be more accommodating to their demands for talks.

The tone of the letter, however, suggests that the Communists doubt that there will be any progress toward negotiations, at least until the military situation on the Plaine turns again to their advantage.

The Souphanouvong letter may take the edge off the high spirits of the Vientiane leaders, but it is not likely to change their orders to Vang Pao to take as much territory as he can. It would be both politically and psychologically difficult for Souvanna to rein in his troops when they have the upper hand, and

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he believes that gains on the ground will strengthen his future bargaining position. Souvanna evidently does not believe the Communists are interested in a partial stand-down in north Laos, and the chances for early meaningful negotiations are therefore slim. By its insistence on a nationwide cease-fire, which Souvanna has shown no disposition to grant, the latest Souphanouvong letter will only reinforce the view that there is nothing to negotiate about at this juncture.

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NORTH KOREA - CHINA - USSR: Despite protestations of increasingly close ties with Peking and Moscow, Pyongyang clearly does not see eye to eye with either capital on certain issues.

The differing emphases in the public pronouncements made at the recent celebrations marking the tenth anniversaries of the signing of the Sino-Korean and Soviet-Korean mutual defense treaties highlight Pyongyang's independent approach to foreign policy issues. Both the Chinese and the Koreans seized on the occasion to dramatize their renewed solidarity in the post-Cultural Revolution period. Although relations are now closer than at any time since 1964, the North Koreans sought to portray a threatening international situation and seemed to be seeking greater Chinese pledges of support for Pyongyang's objectives.

The Chinese for their part tried to allay any Korean doubts arising from recent movements in Sino-US relations, but cautiously avoided giving the Koreans any open-ended commitment of Chinese support. As if to dissociate Chinese policy from the North Koreans' bellicosity, the Chinese emphasized the treaty's defensive character and pointedly refrained from any mention of either the Pueblo incident or the North Korean shootdown a year later of an unarmed US reconnaissance aircraft.

Some of the harshest Chinese criticism was leveled at Japan, where Peking's interests most closely parallel those of Pyongyang. Like the North Koreans, the Chinese underscored the common threat posed by a revival of "Japanese militarism" and warned of the need to resist the expansion of Japanese influence in South Korea and Taiwan. By playing up the Japanese threat, the Chinese undoubtedly also hope to gain points with the Koreans, who are suspicious of Moscow's relations with Tokyo.

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The public exchanges on the tenth anniversary of the Soviet-Korean mutual defense treaty a week earlier were cordial but much less effusive, reflecting the greater friction in Pyongyang's relations with Moscow. In an exchange of congratulatory telegrams, Premier Kim Il-song concentrated on the threat of "US imperialism" and "resurgent Japanese militarism," implicitly criticizing the Soviet attitude toward both. The same themes were repeated in the public statements of other top Korean leaders and in some instances were coupled with denunciations of "US support" for two Chinas.

The Soviets used the occasion to stress the themes of friendship and cooperation between Moscow and Pyongyang. In contrast with the shrill Soviet statements on the anniversary of the Korean war last June, Moscow on this occasion adopted a moderate tone, emphasizing the treaty's nonmilitary aspects and its importance as a factor for peace in the Far East. While reaffirming Soviet support for "peaceful" Korean unification, the Russians took care to note that the treaty provided for "actively coordinated actions" in the struggle against imperialism--a gentle hint that Moscow frowns on unilateral actions that could embroil it in a confrontation with the US.

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JORDAN: Arab reaction to the government's latest offensive against fedayeen positions in the north has been relatively muted.

Egypt felt it necessary to postpone King Husayn's visit to Cairo, scheduled for 23 July, but ascribed the delay to preoccupation with a political conference timed to coincide with the anniversary of the Egyptian revolution. An official spokesman has said only that Egypt views developments in Jordan with "extreme concern," and hopes Amman will respond to joint Egyptian-Saudi efforts to mediate the conflict with the fedayeen.

A two-man delegation--President Sadat's representative Al-Khuli and Saudi Minister of State Saqqaf--that has been traveling between Amman and Damascus since King Faysal's visit to Cairo in late June is slated to arrive in Amman again tomorrow. The delegation represents an attempt by Faysal and Sadat to replace the now-defunct Arab supervisory committee headed by former Tunisian prime minister Bahi Ladgham, which helped implement government-fedayeen agreements after the civil war last fall.

Although representatives of Palestinian organizations meeting in Cairo appealed to Syria to stop the "blood bath" in Jordan, Syrian statements could hardly have been more restrained. A Syrian statement perfunctorily deplored the shedding of Arab blood and said the Jordanian chief of staff--then in Damascus--had been approached with a request that his government try to stop the clashes. [REDACTED]

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Meanwhile, fighting in northern Jordan has gone into its second day and shows no sign of stopping. Although guerrilla broadcasts are highly exaggerated,

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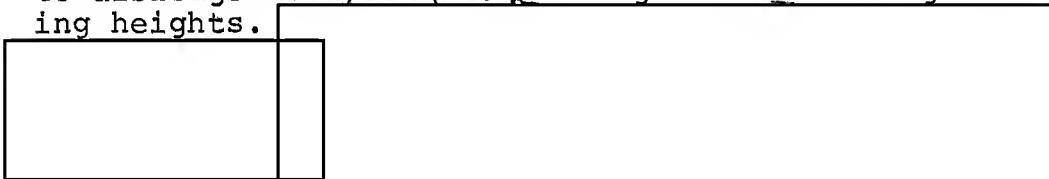
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particularly with respect to casualties, the Jordanian Army has clearly committed a significant force to the battle, including tanks and infantry. Government troops apparently control the Gaza refugee camp and surrounding areas, but are still working to dislodge fedayeen who are dug in in the neighboring heights.



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JAPAN: A loan to Burma for oil exploration represents Tokyo's first major bilateral assistance that is not tied to the use of Japanese firms or equipment. The aid project includes a soft-term loan of \$10 million as well as a \$2-million grant subject to approval by the Japanese Diet. The loan constitutes a major effort by Tokyo to get in on the ground floor of Burma's offshore-oil development, because Japanese firms still can participate in the project under the loan agreement. Even if Japan does not become directly involved in producing oil, Tokyo probably will be the major foreign purchaser of any oil that is extracted, thus further diversifying its sources of oil.

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MALAYSIA: The government is again seeking to persuade the US to modify its plans to dispose of surplus natural rubber beginning on 19 July. It is soliciting support from other natural rubber producers for its proposal, which calls for a disposal rate of about 3,000 tons monthly or about half the rate now planned by the US. Disposals would continue until the entire surplus stock of 141,000 tons is sold regardless of what happens to the world market price. This represents a major departure from earlier positions taken by rubber producers, who were insisting that any disposals be halted if prices dropped below a certain point. Because of this change in policy, Malaysia may have trouble getting support from other producing countries before the US disposal program goes into operation.

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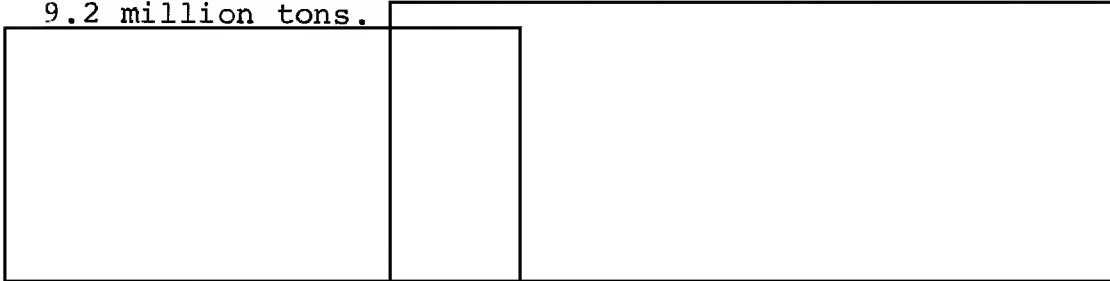
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INDIA: Rail problems have produced an artificial scarcity of coal that threatens to curb industrial production and electric-power generation. The theft of telecommunication cable and equipment and widespread destruction of railway property helped reduce rail traffic throughout the country last year, and the situation has further deteriorated. Coal transport has been particularly hard hit, and coal stocks at many industrial consumer centers reportedly are down to only about ten days' supply. Although coal production declined about five million tons during the fiscal year that ended in March, there is ample coal available because stocks at the mines have increased by about one third, to 9.2 million tons.



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